



DoD INSTRUCTION 4245.14

DoD VALUE ENGINEERING PROGRAM

Originating Component:	Office of the Under Secretary of Defense for Research and Engineering
Effective:	October 1, 2024
Releasability:	Cleared for public release. Available on the Directives Division Website at https://www.esd.whs.mil/DD/ .
Reissues and Cancels:	DoD Instruction 4245.14, "DoD Value Engineering (VE) Program," October 26, 2012, as amended
Approved by:	Heidi Shyu, Under Secretary of Defense for Research and Engineering

Purpose: In accordance with the authority in DoD Directive 5137.02, this issuance:

- Implements Section 1711 of Title 41, United States Code, and Office of Management and Budget (OMB) Circular No. A-131 by establishing policy, assigning responsibilities, and defining authorities for the effective administration of the DoD Value Engineering (VE) Program.
- In accordance with DoD Instruction 5105.18, establishes and maintains the:
 - VE Executive Steering Group (VE ESG).
 - VE Management Advisory Group (VE MAG).
- Establishes the designation of Component Senior Accountable Official (SAO) for VE.
- Creates the framework for an efficient and effective DoD Component VE program.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY.

This issuance applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

1.2. POLICY.

a. DoD Components will implement a VE program to encourage innovation, improve value, and reduce costs over the acquisition and operation life cycle.

(1) A Component VE program encompasses two areas:

(a) A government-only program using VE proposals (VEPs) to implement changes.

(b) A government-contractor process that uses contractor-initiated VE change proposals (VECPs) to implement government-approved changes.

(2) VE guidelines and best practices are contained in Defense Standardization Program Standardization Directory SD-24.

b. DoD Components will:

(1) Apply VE principles and methodology to the acquisition, operation, and support functions of DoD services, materiel, and facilities when it is advantageous for the U.S. Government to do so.

(2) Ensure all contracts include VE provisions in accordance with Parts 48 and 52.248 of the Federal Acquisition Regulation.

(3) Implement a process for submission and evaluation of VECPs and actively encourage contractors to submit VECPs.

(4) Incorporate VE methodology with continuous process improvement training, pursuant to DoD Directive 5010.42, to improve the full range of processes and activities that make up their operations, including decision-making processes and appropriate engagement with industrial base suppliers.

SECTION 2: RESPONSIBILITIES

2.1. UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING (USD(R&E)).

The USD(R&E):

- a. Provides guidance on using VE to implement affordability, cost controls, and incentives for productivity and innovation.
- b. Maintains the VE ESG and the VE MAG in accordance with DoD Instruction 5105.18.
- c. Designates a senior executive to chair the VE ESG.
- d. Determines which OSD and DoD Components will provide representatives to the VE ESG and the VE MAG.
- e. Designates a full-time or permanent part-time Federal employee as the Office of the USD(R&E) VE Management Official.
- f. Reviews DoD Components' annual VE results as presented to the VE ESG.
- g. Establishes and maintains an annual DoD VE awards program in accordance with Volume 451 of DoD Instruction 1400.25.

2.2. DOD COMPONENT HEADS.

The DoD Component heads:

- a. Appoint a qualified full-time or permanent part-time Federal employee as the Component SAO for VE.
- b. Oversee their respective Component's implementation of this issuance.

SECTION 3: GOVERNANCE BODIES

3.1. DOD VE ESG.

The DoD VE ESG:

- a. Is chaired by a senior executive of the Office of the USD(R&E).
- b. Is composed of:
 - (1) DoD Component senior executives, general officers/flag officers.
 - (2) The Office of the USD(R&E) VE Management Official.
- c. Meets periodically as directed by the DoD VE ESG Chair, but no less than once per year, to review compliance with this issuance and the results of the DoD Components' VE programs.
- d. Reviews VE policy and guidance and recommends improvements and solutions to resolve VE program issues.
- e. Ensures DoD Components emphasize and adequately support the VE requirement goals listed in OMB Circular A-131.

3.2. DOD VE MAG.

The DoD VE MAG:

- a. Is chaired by the Office of the USD(R&E) VE Management Official.
- b. Is composed of DoD Component SAOs for VE.
- c. Meets periodically as directed by the VE MAG Chair, but no less than twice a year. Agenda items may include, but are not limited to:
 - (1) Reviewing DoD Component VE Programs' progress, opportunities for improvement, and problems.
 - (2) Recommending VE policy and guidance changes in accordance with OMB Circular A-131.
 - (3) Exchanging VE concepts, techniques, successes, and lessons learned.
 - (4) Recommending and enhancing VE training in coordination with DoD and Components' training programs.
 - (5) Promoting VE.

SECTION 4: PROCEDURES

4.1. DOD COMPONENTS.

To implement cost-effective VE procedures and processes, the DoD Components will:

a. Ensure commanders, managers, construction agencies, and DoD contracting personnel apply VE in acquisition, services, support, construction, and operations and support activities, as appropriate.

b. Provide the resources necessary to operate their Component VE Program efficiently and effectively, including training personnel on the principles, applications, methodologies, and contractual aspects of VE. Establish procedures for timely payment of the contractor share of VECP savings that occur in future budget years or in different budget accounts.

c. Ensure compliance with the detailed requirements listed in Section 7(a–e) of OMB Circular A-131. The required DoD Component VE plan will include annual training and staffing requirements.

d. Establish VE goals for DoD Component subordinate organizations' government-only and contractual activities.

e. Use VE program requirements to identify opportunities for savings in contracts consistent with the functional requirements of production, construction, support, and services. Require managers (e.g., program and project, procurement, contract administration, engineering, and support) to encourage DoD personnel and contractors to develop and submit VEPs and VECPs.

f. Objectively and promptly evaluate and process contractor VECPs and government-only VEPs.

g. Document the evaluation and processing of VECPs and VEPs.

h. Retain resource benefits resulting from VE application and create incentives for VE application.

i. Manage VE records in accordance with DoDI 5015.02.

j. Collect and record annual VE savings, along with other Component defined VE key metrics, to enable Component leadership to assess their VE program's effectiveness and trends internally over time. OMB M-17-26 paused the requirement, in Section 8 of OMB Circular A-131, to submit an annual VE savings report to the OMB Director for Federal Procurement Policy. Components should present their annual VE savings and other Component defined key VE metrics and lessons learned to the VE ESG.

k. Develop criteria and procedures for providing recognition awards to individuals and organizations for exceptional VE accomplishments in accordance with Volume 451 of DoD Instruction 1400.25.

1. Provide Component nominations for annual VE DoD awards.

4.2. COMPONENT SAO FOR VE AND CONSTRUCTION AGENCY SAO FOR VE.

- a. The Component SAO for VE will:

- (1) Advise Component leadership on VE and monitor and coordinate their Component's VE efforts.

- (2) Collaborate with their Component sustainment technology executive in accordance with DoD Instruction 5000.92.

- (3) Assign subordinate organization VE representatives.

- (4) Ensure Component VE programs conform to OMB and DoD requirements and processes are in place to promote such conformity.

- b. The Component SAO for VE and Construction Agency SAO (in the case of construction projects) for VE will:

- (1) Establish organizational guidelines and procedures for identifying programs and projects with the most potential to yield savings from VE studies.

- (2) Develop a decision methodology to determine when VE studies are not advantageous to the U.S. Government, and these criteria will be incorporated into a Component and construction agency VE study waiver process.

- (3) Review and approve or disapprove VE study waiver requests.

GLOSSARY

G.1. ACRONYMS.

ACRONYM	MEANING
OMB	Office of Management and Budget
SAO	senior accountable official
USD(R&E)	Under Secretary of Defense for Research and Engineering
VE	value engineering
VECP	value engineering change proposal
VE ESG	Value Engineering Executive Steering Group
VE MAG	Value Engineering Management Advisory Group
VEP	value engineering proposal

G.2. DEFINITIONS.

These terms and their definitions are for the purpose of this issuance.

TERM	DEFINITION
Component SAO for VE	A qualified high-level full-time or permanent part-time Federal employee accountable to Component leadership for establishing and overseeing VE use and consideration within the organization. “Qualified” is defined as possessing the requisite combination of education, training, and experience specifically in the application of the VE methodology.
Component VE program	The organizational structure, funding, training, and annual planning to actively employ VE concepts and processes, to include results measurement and reporting, established by the Component SAO for VE. The Component VE program is designed to encourage innovation, improve value, and reduce costs over the acquisition and operation lifecycle.

TERM	DEFINITION
VE	A systematic process of reviewing and analyzing the requirements, functions, and elements of systems, project, equipment, facilities, services, and supplies for the purpose of achieving the essential functions at the lowest life-cycle cost consistent with required levels of performance, reliability, quality, or safety. Typically, VE is performed in a workshop environment by a multidisciplinary team of contractor or in-house agency personnel, which is facilitated by agency or contractor staff that are experienced, trained, or certified in leading VE teams.
VECP	A contractor-initiated proposal in which the savings are shared between the government and the contractor. A VECP is submitted under the VE clause of a contract pursuant to Part 48 of the Federal Acquisition Regulation. It proposes a net life-cycle cost reduction to the DoD and requires a contract modification.
VEP	A government-initiated, multidisciplinary product, usually the result of a team study. A VEP may be developed and submitted by individual employees or contractors under contract to provide VE services or studies for a government program. The U.S. Government retains all the savings from VEPs.
VE program requirements	A separately priced line item in the contract that specifies a certain level of VE activity and the portion(s) of the contract work to which it applies.

REFERENCES

- Defense Standardization Program Standardization Directory SD-24, “Value Engineering: A Guidebook of Best Practices and Tools,” June 13, 2011
- DoD Directive 5010.42, “DoD-Wide Continuous Process Improvement (CPI)/Lean Six Sigma (LSS) Program,” May 15, 2008
- DoD Directive 5137.02, “Under Secretary of Defense for Research and Engineering (USD(R&E)),” July 15, 2020
- DoD Instruction 1400.25, Volume 451, “DoD Civilian Personnel Management System: Awards,” November 4, 2013, as amended
- DoD Instruction 5000.92, “Innovation and Technology to Sustain Material Readiness,” May 7, 2021
- DoD Instruction 5015.02, “DoD Records Management Program,” February 24, 2015, as amended
- DoD Instruction 5105.18, “DoD Intergovernmental and Intragovernmental Committee Management Program,” July 10, 2009, as amended
- Federal Acquisition Regulation, current edition
- Office of Management and Budget Circular No. A-131, “Value Engineering,” December 26, 2013
- Office of Management and Budget M-17-26, “Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda,” June 15, 2017
- United States Code, Title 41, Section 1711